

AMENDED IN SENATE MAY 25, 2001

AMENDED IN SENATE MAY 17, 2001

AMENDED IN SENATE MAY 7, 2001

**SENATE BILL**

**No. 399**

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**Introduced by Senator Ackerman**

February 21, 2001

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An act to amend Sections 407, 601, 603, 1001, 2115, 15677.2, 15677.3, 15677.6, 15677.7, 15677.8, 15677.9, 16902, 16903, 16904, 16905, 16906, 16907, 16908, 16909, 17540.2, 17540.3, 17540.6, 17540.7, 17540.8, and 25005.1 of, to add Sections 161.9 and 1313 to, and to add Chapter 11.5 (commencing with Section 1150) to Division 1 of Title 1 of, the Corporations Code, relating to business organizations.

LEGISLATIVE COUNSEL'S DIGEST

SB 399, as amended, Ackerman. Business organizations: conversions.

Existing law provides for the creation of various forms of business organizations, including various forms of partnerships, corporations, and limited liability companies, and provides for conversion of certain of these forms of business organizations, other than corporations, into other forms of business organizations.

This bill would establish procedures for the conversion of California corporations into domestic limited liability companies, limited partnerships, or general partnerships. The bill would also establish procedures for the formation of a California corporation upon the conversion of a foreign or domestic limited liability company, limited

partnership, or general partnership or upon the conversion of a foreign corporation.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 161.9 is added to the Corporations  
2 Code, to read:  
3 161.9. "Conversion" means a conversion pursuant to  
4 Chapter 11.5 (commencing with Section 1150).  
5 SEC. 2. Section 407 of the Corporations Code is amended to  
6 read:  
7 407. A corporation may, but is not required to, issue fractions  
8 of a share originally or upon transfer. If it does not issue fractions  
9 of a share, it shall in connection with any original issuance of  
10 shares (a) arrange for the disposition of fractional interests by  
11 those entitled thereto, (b) pay in cash the fair value of fractions of  
12 a share as of the time when those entitled to receive those fractions  
13 are determined or (c) issue scrip or warrants in registered form, as  
14 certificated securities or uncertificated securities, or bearer form  
15 as certificated securities, which shall entitle the holder to receive  
16 a certificate for a full share upon the surrender of the scrip or  
17 warrants aggregating a full share; provided, however, that if the  
18 fraction of a share that any person would otherwise be entitled to  
19 receive in a merger, conversion, or reorganization is less than  
20 one-half of 1 percent of the total shares that person is entitled to  
21 receive, a merger, conversion, or reorganization agreement may  
22 provide that fractions of a share will be disregarded or that shares  
23 issuable in the merger or conversion will be rounded off to the  
24 nearest whole share; and provided, further, that a corporation may  
25 not pay cash for fractional shares if that action would result in the  
26 cancellation of more than 10 percent of the outstanding shares of  
27 any class. A determination by the board of the fair value of  
28 fractions of a share shall be conclusive in the absence of fraud. A  
29 certificate for a fractional share shall, but scrip or warrants shall  
30 not unless otherwise provided therein, entitle the holder to exercise  
31 voting rights, to receive dividends thereon and to participate in any  
32 of the assets of the corporation in the event of liquidation. The  
33 board may cause scrip or warrants to be issued subject to the



1 condition that they shall become void if not exchanged for full  
2 shares before a specified date or that the shares for which scrip or  
3 warrants are exchangeable may be sold by the corporation and the  
4 proceeds thereof distributed to the holder of the scrip or warrants  
5 or any other condition that the board may impose.

6 SEC. 3. Section 601 of the Corporations Code is amended to  
7 read:

8 601. (a) Whenever shareholders are required or permitted to  
9 take any action at a meeting a written notice of the meeting shall  
10 be given not less than 10 (or, if sent by third-class mail, 30) nor  
11 more than 60 days before the date of the meeting to each  
12 shareholder entitled to vote thereat. That notice shall state the  
13 place, date and hour of the meeting and (1) in the case of a special  
14 meeting, the general nature of the business to be transacted, and no  
15 other business may be transacted, or (2) in the case of the annual  
16 meeting, those matters that the board, at the time of the mailing of  
17 the notice, intends to present for action by the shareholders, but  
18 subject to the provisions of subdivision (f) any proper matter may  
19 be presented at the meeting for that action. The notice of any  
20 meeting at which directors are to be elected shall include the names  
21 of nominees intended at the time of the notice to be presented by  
22 the board for election.

23 (b) Notice of a shareholders' meeting or any report shall be  
24 given either personally or by first-class mail, or, in the case of a  
25 corporation with outstanding shares held of record by 500 or more  
26 persons (determined as provided in Section 605) on the record date  
27 for the shareholders' meeting, notice may be sent third-class mail,  
28 or other means of written communication, addressed to the  
29 shareholder at the address of that shareholder appearing on the  
30 books of the corporation or given by the shareholder to the  
31 corporation for the purpose of notice; or if no address appears or  
32 is given, at the place where the principal executive office of the  
33 corporation is located or by publication at least once in a  
34 newspaper of general circulation in the county in which the  
35 principal executive office is located. The notice or report shall be  
36 deemed to have been given at the time when delivered personally  
37 or deposited in the mail or sent by other means of written  
38 communication. An affidavit of mailing of any notice or report in  
39 accordance with the provisions of this division, executed by the

1 secretary, assistant secretary or any transfer agent, shall be prima  
2 facie evidence of the giving of the notice or report.

3 If any notice or report addressed to the shareholder at the  
4 address of that shareholder appearing on the books of the  
5 corporation is returned to the corporation by the United States  
6 Postal Service marked to indicate that the United States Postal  
7 Service is unable to deliver the notice or report to the shareholder  
8 at that address, all future notices or reports shall be deemed to have  
9 been duly given without further mailing if the same shall be  
10 available for the shareholder upon written demand of the  
11 shareholder at the principal executive office of the corporation for  
12 a period of one year from the date of the giving of the notice or  
13 report to all other shareholders.

14 (c) Upon request in writing to the ~~chairman~~ *chairperson* of the  
15 board, president, vice president or secretary by any person (other  
16 than the board) entitled to call a special meeting of shareholders,  
17 the officer forthwith shall cause notice to be given to the  
18 shareholders entitled to vote that a meeting will be held at a time  
19 requested by the person or persons calling the meeting, not less  
20 than 35 nor more than 60 days after the receipt of the request. If  
21 the notice is not given within 20 days after receipt of the request,  
22 the persons entitled to call the meeting may give the notice or the  
23 superior court of the proper county shall summarily order the  
24 giving of the notice, after notice to the corporation giving it an  
25 opportunity to be heard. The procedure provided in subdivision (c)  
26 of Section 305 shall apply to that application. The court may issue  
27 orders as may be appropriate, including, without limitation, orders  
28 designating the time and place of the meeting, the record date for  
29 determination of shareholders entitled to vote and the form of  
30 notice.

31 (d) When a shareholders' meeting is adjourned to another time  
32 or place, unless the bylaws otherwise require and except as  
33 provided in this subdivision, notice need not be given of the  
34 adjourned meeting if the time and place thereof are announced at  
35 the meeting at which the adjournment is taken. At the adjourned  
36 meeting the corporation may transact any business that might have  
37 been transacted at the original meeting. If the adjournment is for  
38 more than 45 days or if after the adjournment a new record date is  
39 fixed for the adjourned meeting, a notice of the adjourned meeting

1 shall be given to each shareholder of record entitled to vote at the  
2 meeting.

3 (e) The transactions of any meeting of shareholders, however  
4 called and noticed, and wherever held, are as valid as though had  
5 at a meeting duly held after regular call and notice, if a quorum is  
6 present either in person or by proxy, and if, either before or after  
7 the meeting, each of the persons entitled to vote, not present in  
8 person or by proxy, signs a written waiver of notice or a consent  
9 to the holding of the meeting or an approval of the minutes thereof.

10 All those waivers, consents and approvals shall be filed with the  
11 corporate records or made a part of the minutes of the meeting.  
12 Attendance of a person at a meeting shall constitute a waiver of  
13 notice of and presence at the meeting, except when the person  
14 objects, at the beginning of the meeting, to the transaction of any  
15 business because the meeting is not lawfully called or convened  
16 and except that attendance at a meeting is not a waiver of any right  
17 to object to the consideration of matters required by this division  
18 to be included in the notice but not so included, if the objection is  
19 expressly made at the meeting. Neither the business to be  
20 transacted at nor the purpose of any regular or special meeting of  
21 shareholders need be specified in any written waiver of notice,  
22 consent to the holding of the meeting or approval of the minutes  
23 thereof, unless otherwise provided in the articles or bylaws, except  
24 as provided in subdivision (f).

25 (f) Any shareholder approval at a meeting, other than  
26 unanimous approval by those entitled to vote, pursuant to Section  
27 310, 902, 1152, 1201, 1900 or 2007 shall be valid only if the  
28 general nature of the proposal so approved was stated in the notice  
29 of meeting or in any written waiver of notice.

30 SEC. 4. Section 603 of the Corporations Code is amended to  
31 read:

32 603. (a) Unless otherwise provided in the articles, any action  
33 that may be taken at any annual or special meeting of shareholders  
34 may be taken without a meeting and without prior notice, if a  
35 consent in writing, setting forth the action so taken, shall be signed  
36 by the holders of outstanding shares having not less than the  
37 minimum number of votes that would be necessary to authorize or  
38 take that action at a meeting at which all shares entitled to vote  
39 thereon were present and voted.

1 (b) Unless the consents of all shareholders entitled to vote have  
2 been solicited in writing,

3 (1) Notice of any shareholder approval pursuant to Section  
4 310, 317, 1152, 1201 or 2007 without a meeting by less than  
5 unanimous written consent shall be given at least 10 days before  
6 the consummation of the action authorized by that approval, and

7 (2) Prompt notice shall be given of the taking of any other  
8 corporate action approved by shareholders without a meeting by  
9 less than unanimous written consent,

10 to those shareholders entitled to vote who have not consented in  
11 writing. Subdivision (b) of Section 601 applies to that notice.

12 (c) Any shareholder giving a written consent, or the  
13 shareholder's proxyholders, or a transferee of the shares or a  
14 personal representative of the shareholder or their respective  
15 proxyholders, may revoke the consent by a writing received by the  
16 corporation prior to the time that written consents of the number  
17 of shares required to authorize the proposed action have been filed  
18 with the secretary of the corporation, but may not do so thereafter.  
19 The revocation is effective upon its receipt by the secretary of the  
20 corporation.

21 (d) Notwithstanding subdivision (a), directors may not be  
22 elected by written consent except by unanimous written consent of  
23 all shares entitled to vote for the election of directors; provided that  
24 the shareholders may elect a director to fill a vacancy, other than  
25 a vacancy created by removal, by the written consent of a majority  
26 of the outstanding shares entitled to vote.

27 SEC. 5. Section 1001 of the Corporations Code is amended to  
28 read:

29 1001. (a) A corporation may sell, lease, convey, exchange,  
30 transfer, or otherwise dispose of all or substantially all of its assets  
31 when the principal terms are approved by the board, and, unless the  
32 transaction is in the usual and regular course of its business,  
33 approved by the outstanding shares (Section 152), either before or  
34 after approval by the board and before or after the transaction. A  
35 transaction constituting a reorganization (Section 181) is subject  
36 to the provisions of Chapter 12 (commencing with Section 1200)  
37 and not this section (other than subdivision (d)). A transaction  
38 constituting a conversion (Section 161.9) is subject to the  
39 provisions of Chapter 11.5 (commencing with Section 1150) and  
40 not this section.



(b) Notwithstanding approval of the outstanding shares (Section 152), the board may abandon the proposed transaction without further action by the shareholders, subject to the contractual rights, if any, of third parties.

(c) The sale, lease, conveyance, exchange, transfer or other disposition may be made upon those terms and conditions and for that consideration as the board may deem in the best interests of the corporation. The consideration may be money, securities, or other property.

(d) If the acquiring party in a transaction pursuant to subdivision (a) of this section or subdivision (g) of Section 2001 is in control of or under common control with the disposing corporation, the principal terms of the sale must be approved by at least 90 percent of the voting power of the disposing corporation unless the disposition is to a domestic or foreign corporation or other business entity in consideration of the nonredeemable common shares or nonredeemable equity securities of the acquiring party or its parent.

(e) Subdivision (d) does not apply to any transaction if the Commissioner of Corporations, the Commissioner of Financial Institutions, the Insurance Commissioner or the Public Utilities Commission has approved the terms and conditions of the transaction and the fairness of those terms and conditions pursuant to Section 25142, Section 696.5 of the Financial Code, Section 838.5 of the Insurance Code, or Section 822 of the Public Utilities Code.

SEC. 6. Chapter 11.5 (commencing with Section 1150) is added to Division 1 of Title 1 of the Corporations Code, to read:

#### CHAPTER 11.5. CONVERSIONS

1150. For purposes of this chapter, the following definitions shall apply:

(a) “Converted corporation” means a corporation that results from a conversion of an other business entity or a foreign other business entity or a foreign corporation pursuant to Section 1157.

(b) “Converted entity” means a domestic other business entity that results from a conversion of a corporation under this chapter.



1 (c) “Converting corporation” means a corporation that  
2 converts into a domestic other business entity pursuant to this  
3 chapter.

4 (d) “Converting entity” means an other business entity or a  
5 foreign other business entity or foreign corporation that converts  
6 into a corporation pursuant to Section 1157.

7 (e) “Domestic other business entity” has the meaning provided  
8 in Section 167.7.

9 (f) “Foreign other business entity” has the meaning provided  
10 in Section 171.07.

11 (g) “Other business entity” has the meaning provided in  
12 Section 174.5.

13 1151. (a) A corporation may be converted into a domestic  
14 other business entity pursuant to this chapter if, pursuant to the  
15 proposed conversion, (1) each share of the same class or series of  
16 the converting corporation shall, unless all the shareholders of the  
17 class or series consent, be treated equally with respect to any cash,  
18 rights, securities, or other property to be received by, or any  
19 obligations or restrictions to be imposed on, the holder of that  
20 share, and (2) nonredeemable common shares of the converting  
21 corporation shall be converted only into nonredeemable equity  
22 securities of the converted entity unless all of the shareholders of  
23 the class consent; provided, however, that clause (1) shall not  
24 restrict the ability of the shareholders of a converting corporation  
25 to appoint one or more managers, if the converted entity is a  
26 limited liability company, or one or more general partners, if the  
27 converted entity is a limited partnership, in the plan of conversion  
28 or in the converted entity’s governing documents.

29 (b) Notwithstanding this section, the conversion of a  
30 corporation into a domestic other business entity may be effected  
31 only if both of the following conditions are complied with:

32 (1) The law under which the converted entity will exist  
33 expressly permits the formation of that entity pursuant to a  
34 conversion.

35 (2) The corporation complies with any and all other  
36 requirements of any other law that applies to conversion to the  
37 converted entity.

38 1152. (a) A corporation that desires to convert to a domestic  
39 other business entity shall approve a plan of conversion. The plan  
40 of conversion shall state all of the following:





1 (1) The terms and conditions of the conversion.

2 (2) The jurisdiction of the organization of the converted entity  
3 and of the converting corporation and the name of the converted  
4 entity after conversion.

5 (3) The manner of converting the shares of each of the  
6 shareholders of the converting corporation into securities of, or  
7 interests in, the converted entity.

8 (4) The provisions of the governing documents for the  
9 converted entity, including the partnership agreement or limited  
10 liability company articles of organization and operating  
11 agreement, to which the holders of interests in the converted entity  
12 are to be bound.

13 (5) Any other details or provisions that are required by the laws  
14 under which the converted entity is organized, or that are desired  
15 by the converting corporation.

16 (b) The plan of conversion shall be approved by the board of  
17 the converting corporation (Section 151), and the principal terms  
18 of the plan of the conversion shall be approved by the outstanding  
19 shares (Section 152) of each class of the converting corporation.  
20 The approval of the outstanding shares may be given before or  
21 after approval by the board. Notwithstanding the foregoing, if a  
22 converting corporation is a close corporation, the conversion shall  
23 be approved by the affirmative vote of at least two-thirds of each  
24 class of outstanding shares of that converting corporation;  
25 provided, however, that the articles may provide for a lesser vote,  
26 but not less than a majority of the outstanding shares of each class.

27 (c) If the corporation is converting into a general or limited  
28 partnership or into a limited liability company, then in addition to  
29 the approval of the shareholders set forth in subdivision (b), the  
30 plan of conversion shall be approved by each shareholder who will  
31 become a general partner or manager, as applicable, of the  
32 converted entity pursuant to the plan of conversion unless the  
33 shareholders have dissenters' rights pursuant to Section 1159 and  
34 Chapter 13 (commencing with Section 1300).

35 (d) Upon the effectiveness of the conversion, all shareholders  
36 of the converting corporation, except those that exercise  
37 dissenters' rights as provided in Section 1159 and Chapter 13  
38 (commencing with Section 1300), shall be deemed parties to any  
39 agreement or agreements constituting the governing documents  
40 for the converted entity adopted as part of the plan of conversion,



1 irrespective of whether or not a shareholder has executed the plan  
2 of conversion or those governing documents for the converted  
3 entity. Any adoption of governing documents made pursuant  
4 thereto shall be effective at the effective time or date of the  
5 conversion.

6 (e) Notwithstanding its prior approval by the board and the  
7 outstanding shares or either of them, a plan of conversion may be  
8 amended before the conversion takes effect if the amendment is  
9 approved by the board and, if it changes any of the principal terms  
10 of the plan of conversion, by the shareholders of the converting  
11 corporation in the same manner and to the same extent as was  
12 required for approval of the original plan of conversion.

13 (f) A plan of conversion may be abandoned by the board of a  
14 converting corporation, or by the shareholders of a converting  
15 corporation if the abandonment is approved by the outstanding  
16 shares, in each case in the same manner as required for approval  
17 of the plan of conversion, subject to the contractual rights of third  
18 parties, at any time before the conversion is effective.

19 (g) The converted entity shall keep the plan of conversion at (1)  
20 the principal place of business of the converted entity if the  
21 converted entity is a domestic partnership or (2) at the office at  
22 which records are to be kept under Section 15614 if the converted  
23 entity is a domestic limited partnership or at the office at which  
24 records are to be kept under Section 17057 if the converted entity  
25 is a domestic limited liability company. Upon the request of a  
26 shareholder of a converting corporation, the authorized person on  
27 behalf of the converted entity shall promptly deliver to the  
28 shareholder, at the expense of the converted entity, a copy of the  
29 plan of conversion. A waiver by a shareholder of the rights  
30 provided in this subdivision shall be unenforceable.

31 1153. (a) After the approval, as provided in Section 1152, of  
32 a plan of conversion by the board and the outstanding shares of a  
33 corporation converting into a domestic other business entity, the  
34 converting corporation shall cause the filing of all documents  
35 required by law to effect the conversion and create the converted  
36 entity, which documents shall include a certificate of conversion  
37 or a statement of conversion as required by Section 1155, and the  
38 conversion shall thereupon be effective.

39 (b) A copy of the statement of partnership authority, certificate  
40 of limited partnership, or articles of organization complying with

1 Section 1155, duly certified by the Secretary of State on or after  
2 the effective date, is conclusive evidence of the conversion of the  
3 corporation.

4 1155. (a) To convert a corporation:

5 (1) If the corporation is converting into a domestic limited  
6 partnership, a statement of conversion shall be completed on the  
7 certificate of limited partnership for the converted entity.

8 (2) If the corporation is converting into a domestic partnership,  
9 a statement of conversion shall be completed on the statement of  
10 partnership authority for the converted entity, or if no statement of  
11 partnership authority is filed then a certificate of conversion shall  
12 be filed separately.

13 (3) If the corporation is converting into a domestic limited  
14 liability company, a statement of conversion shall be completed on  
15 the articles of organization for the converted entity.

16 (b) Any statement or certificate of conversion of a converting  
17 corporation shall be executed and acknowledged by those officers  
18 of the converting corporation as would be required to sign an  
19 officers' certificate (Section 173), and shall set forth all of the  
20 following:

21 (1) The name and the Secretary of State's file number of the  
22 converting corporation.

23 (2) A statement of the total number of outstanding shares of  
24 each class entitled to vote on the conversion, that the principal  
25 terms of the plan of conversion were approved by a vote of the  
26 number of shares of each class which equaled or exceeded the vote  
27 required under Section 1152, specifying each class entitled to vote  
28 and the percentage vote required of each class.

29 (3) The name, form, and jurisdiction of organization of the  
30 converted entity.

31 (c) For the purposes of this chapter, the certificate of  
32 conversion shall be on a form prescribed by the Secretary of State.

33 (d) The filing with the Secretary of State of a statement of  
34 conversion on an organizational document or a certificate of  
35 conversion as set forth in subdivision (a) shall have the effect of  
36 the filing of a certificate of dissolution by the converting  
37 corporation and no converting corporation that has made the filing  
38 is required to file a certificate of election under Section 1901 or a  
39 certificate of dissolution under Section 1905 as a result of that  
40 conversion.

1 (e) No statement or certificate of conversion shall be filed with  
2 the Secretary of State until there has been filed by or on behalf of  
3 the converting corporation the certificate of satisfaction of the  
4 Franchise Tax Board that all taxes imposed by the Bank and  
5 Corporation Tax Law (Part 11 (commencing with Section 23001)  
6 of Division 2 of the Revenue and Taxation Code) have been paid  
7 or secured. Notwithstanding the foregoing, if the converted entity  
8 is a domestic partnership, domestic limited partnership or  
9 domestic limited liability company, the Secretary of State shall file  
10 the statement or certificate of conversion without the certificate of  
11 satisfaction of the Franchise Tax Board and shall notify the  
12 Franchise Tax Board of the conversion. Upon the effectiveness of  
13 a conversion pursuant to this chapter, a converted entity that is a  
14 domestic partnership, domestic limited partnership or domestic  
15 limited liability company shall be deemed to have assumed the  
16 liability of the converting corporation (1) to prepare and file or  
17 cause to be prepared and filed all tax and information returns  
18 otherwise required of the converting corporation under the Bank  
19 and Corporation Tax Law (Part 11 (commencing with Section  
20 23001) of Division 2 of the Revenue and Taxation Code) and (2)  
21 to pay any tax liability determined to be due pursuant to that law.  
22 1156. (a) Whenever a corporation or other business entity  
23 having any real property in this state converts into a corporation  
24 or an other business entity pursuant to the laws of this state or of  
25 the state or place in which the corporation or other business entity  
26 was organized, and the laws of the state or place of organization,  
27 including this state, of the converting corporation or other  
28 converting entity provide substantially that the conversion vests in  
29 the converted corporation or other converted entity all the real  
30 property of the converting corporation or other converting entity,  
31 the filing for record in the office of the county recorder of any  
32 county in this state in which any of the real property of the  
33 converting corporation or other converting entity is located of  
34 either (1) a certificate of conversion or a statement of partnership  
35 authority, certificate of limited partnership or articles of  
36 organization containing a statement of conversion complying with  
37 Section 1155 and certified on or after the effective date of the  
38 conversion by the Secretary of State or (2) a copy of a certificate  
39 of conversion or a statement of partnership authority, certificate of  
40 limited partnership, articles of organization, articles of



1 incorporation, or other comparable organizing document  
 2 evidencing the creation of a foreign other business entity or foreign  
 3 corporation, containing a statement of conversion, meeting the  
 4 requirements of subdivision (b) and certified on or after the  
 5 effective date of the conversion by the Secretary of State or any  
 6 other authorized public official of the state or place pursuant to the  
 7 laws of which the converted entity is organized, shall evidence  
 8 record ownership in the converted corporation or other converted  
 9 entity of all interest of the converting corporation or other  
 10 converting entity in and to the real property located in that county.

11 (b) A filed and, if appropriate, recorded certificate of  
 12 conversion or a statement of partnership authority, certificate of  
 13 limited partnership, articles of organization, articles of  
 14 incorporation, or other comparable organizing document  
 15 evidencing the formation of a foreign other business entity or a  
 16 foreign corporation referred to in clause (2) of subdivision (a)  
 17 above which contains a statement of conversion, stating the name  
 18 of the converting corporation or other converting entity in whose  
 19 name property was held before the conversion and the name of the  
 20 converted entity or converted corporation, but not containing all  
 21 of the other information required by Section 1155, operates with  
 22 respect to the converted entity named to the extent provided in  
 23 subdivision (a).

24 (c) Recording of a certificate of conversion or a statement of  
 25 partnership authority, certificate of limited partnership, articles of  
 26 organization, articles of incorporation, or other comparable  
 27 organizing document evidencing the creation of an other business  
 28 entity or a corporation, containing a statement of conversion, in  
 29 accordance with subdivision (a), shall create, in favor of bona fide  
 30 purchasers or encumbrances for value, a conclusive presumption  
 31 that the conversion was validly completed.

32 1157. (a) An other business entity or a foreign other business  
 33 entity or a foreign corporation may be converted into a corporation  
 34 pursuant to this chapter only if the converting entity is authorized  
 35 by the laws under which it is organized to effect the conversion.

36 (b) An other business entity or a foreign other business entity  
 37 or a foreign corporation that desires to convert into a corporation  
 38 shall approve a plan of conversion or other instrument as is  
 39 required to be approved to effect the conversion pursuant to the  
 40 laws under which that entity is organized.

(c) The conversion of an other business entity or a foreign other business entity or a foreign corporation shall be approved by the number or percentage of the partners, members, shareholders, or other holders of interest of the converting entity that is required by the laws under which that entity is organized, or a greater or lesser percentage as may be set forth in the converting entity's partnership agreement, articles of organization, operating agreement, articles of incorporation or other governing document in accordance with applicable laws.

(d) The conversion by an other business entity or a foreign other business entity or a foreign corporation shall be effective under this chapter upon the filing with the Secretary of State of the articles of incorporation of the converted corporation, containing a statement of conversion that complies with subdivision (e).

(e) A statement of conversion of an entity converting into a corporation pursuant to this chapter shall set forth all of the following:

(1) The name, form, and jurisdiction of organization of the converting entity.

(2) The Secretary of State's file number, if any, of the converting entity.

(3) If the converting entity is a foreign other business entity or a foreign corporation, the statement of conversion shall contain the following:

(A) A statement that the converting entity is authorized to effect the conversion by the laws under which it is organized.

(B) A statement that the converting entity has approved a plan of conversion or other instrument as is required to be approved to effect the conversion pursuant to the laws under which the converting entity is organized.

(C) A statement that the conversion has been approved by the number or percentage of the partners, members, shareholders, or other holders of interest of the converting entity that is required by the laws under which that entity is organized, or a greater or lesser percentage as may be set forth in the converting entity's partnership agreement, articles of organization, operating agreement, articles of incorporation, or other governing document in accordance with applicable laws.

(f) The filing with the Secretary of State of articles of incorporation containing a statement pursuant to subdivision (e)

shall have the effect of the filing of a certificate of cancellation by a converting foreign limited liability company or foreign limited partnership, and no converting foreign limited liability company or foreign limited partnership that has made the filing is required to file a certificate of cancellation under Section 15696 or 17455 as a result of that conversion. If a converting entity is a foreign corporation qualified to transact business in this state, the foreign corporation shall, by virtue of the filing, automatically surrender its right to transact intrastate business.

1158. (a) An entity that converts into another entity pursuant to this chapter is for all purposes the same entity that existed before the conversion.

(b) Upon a conversion taking effect, all of the following apply:

(1) All the rights and property, whether real, personal, or mixed, of the converting entity or converting corporation are vested in the converted entity or converted corporation.

(2) All debts, liabilities, and obligations of the converting entity or converting corporation continue as debts, liabilities, and obligations of the converted entity or converted corporation.

(3) All rights of creditors and liens upon the property of the converting entity or converting corporation shall be preserved unimpaired and remain enforceable against the converted entity or converted corporation to the same extent as against the converting entity or converting corporation as if the conversion had not occurred.

(4) Any action or proceeding pending by or against the converting entity or converting corporation may be continued against the converted entity or converted corporation as if the conversion had not occurred.

(c) A shareholder of a converting corporation is liable for:

(1) All obligations of the converting corporation for which the shareholder was personally liable before the conversion, but only to the extent that the shareholder was personally liable for the obligations of the converting corporation before the conversion.

(2) All obligations of the converted entity incurred after the conversion takes effect if (A) the shareholder becomes a general partner of a converted entity that is a general or limited partnership and, as a general partner, has liability under the laws under which the converted entity is organized or under the converted entity's governing documents or (B) the shareholder becomes a holder of



1 other interests in the converted entity and, as a holder, has liability  
2 under the laws under which the converted entity is organized or  
3 under the converted entity's governing documents.

4 (d) A shareholder of a converted corporation remains liable for  
5 any and all obligations of the converting entity for which the  
6 shareholder was personally liable before the conversion, but only  
7 to the extent that the shareholder was personally liable for the  
8 obligations of the converting entity prior to the conversion.

9 (e) If a party to a transaction with a converted corporation that  
10 converted from a partnership reasonably believes when entering  
11 into the transaction that a shareholder of the converted corporation  
12 continues to be a general partner of the converting entity after the  
13 conversion is effective, and the shareholder was a general partner  
14 of the partnership that converted into the converted corporation,  
15 the shareholder is liable for an obligation incurred by the converted  
16 corporation within 90 days after the conversion takes effect. The  
17 shareholder's liability for all other obligations of the converted  
18 corporation incurred after the conversion takes effect is that of a  
19 shareholder of a corporation.

20 (f) *The converted entity shall cause written notice of the*  
21 *conversion to be given by mail within 90 days after the effective*  
22 *date of the conversion to all known creditors and claimants whose*  
23 *addresses appear on the records of the converting entity. The*  
24 *effectiveness of the conversion shall not be conditioned upon*  
25 *compliance with this subdivision.*

26 1159. The shareholders of a converting corporation shall have  
27 all of the rights under Chapter 13 (commencing with Section 1300)  
28 of the shareholders of a corporation involved in a reorganization  
29 requiring the approval of its outstanding shares (Section 152), and  
30 the converting corporation shall have all of the obligations under  
31 Chapter 13 (commencing with Section 1300) of a corporation  
32 involved in the reorganization. Solely for purposes of applying the  
33 provisions of Chapter 13 (and not for purposes of Chapter 12), a  
34 conversion pursuant to Section 1151 or 1157 shall be deemed to  
35 constitute a reorganization.

36 SEC. 7. Section 1313 is added to the Corporations Code, to  
37 read:

38 1313. A conversion pursuant to Chapter 11.5 (commencing  
39 with Section 1150) shall be deemed to constitute a reorganization



1 for purposes of applying the provisions of this chapter, in  
2 accordance with and to the extent provided in Section 1159.

3 SEC. 8. Section 2115 of the Corporations Code is amended to  
4 read:

5 2115. (a) A foreign corporation (other than a foreign  
6 association or foreign nonprofit corporation but including a  
7 foreign parent corporation even though it does not itself transact  
8 intrastate business) is subject to the requirements of subdivision  
9 (b) commencing on the date specified in subdivision (d) and  
10 continuing until the date specified in subdivision (e) if:

11 (1) the average of the property factor, the payroll factor, and the  
12 sales factor (as defined in Sections 25129, 25132, and 25134 of the  
13 Revenue and Taxation Code) with respect to it is more than 50  
14 percent during its latest full income year and

15 (2) more than one-half of its outstanding voting securities are  
16 held of record by persons having addresses in this state appearing  
17 on the books of the corporation on the record date for the latest  
18 meeting of shareholders held during its latest full income year or,  
19 if no meeting was held during that year, on the last day of the latest  
20 full income year. The property factor, payroll factor, and sales  
21 factor shall be those used in computing the portion of its income  
22 allocable to this state in its franchise tax return or, with respect to  
23 corporations the allocation of whose income is governed by  
24 special formulas or that are not required to file separate or any tax  
25 returns, which would have been so used if they were governed by  
26 this three-factor formula. The determination of these factors with  
27 respect to any parent corporation shall be made on a consolidated  
28 basis, including in a unitary computation (after elimination of  
29 intercompany transactions) the property, payroll, and sales of the  
30 parent and all of its subsidiaries in which it owns directly or  
31 indirectly more than 50 percent of the outstanding shares entitled  
32 to vote for the election of directors, but deducting a percentage of  
33 the property, payroll, and sales of any subsidiary equal to the  
34 percentage minority ownership, if any, in the subsidiary. For the  
35 purpose of this subdivision, any securities held to the knowledge  
36 of the issuer in the names of broker-dealers, nominees for  
37 broker-dealers (including clearing corporations), or banks,  
38 associations, or other entities holding securities in a nominee name  
39 or otherwise on behalf of a beneficial owner (collectively  
40 “nominee holders”), shall not be considered outstanding.

1 However, if the foreign corporation requests all nominee holders  
2 to certify, with respect to all beneficial owners for whom securities  
3 are held, the number of shares held for those beneficial owners  
4 having addresses (as shown on the records of the nominee holder)  
5 in this state and outside of this state, then all shares so certified  
6 shall be considered outstanding and held of record by persons  
7 having addresses either in this state or outside of this state as so  
8 certified, provided that the certification so provided shall be  
9 retained with the record of shareholders and made available for  
10 inspection and copying in the same manner as is provided in  
11 Section 1600 with respect to that record. A current list of beneficial  
12 owners of a foreign corporation's securities provided to the  
13 corporation by one or more nominee holders or their agent  
14 pursuant to the requirements of Rule 14b-1(b)(3) or 14b-2(b)(3)  
15 as adopted on January 6, 1992, promulgated under the Securities  
16 Exchange Act of 1934, shall constitute an acceptable certification  
17 with respect to beneficial owners for the purposes of this  
18 subdivision.

19 (b) Except as provided in subdivision (c), the following  
20 chapters and sections of this division shall apply to a foreign  
21 corporation as defined in subdivision (a) (to the exclusion of the  
22 law of the jurisdiction in which it is incorporated):

23 Chapter 1 (general provisions and definitions), to the extent  
24 applicable to the following provisions;

25 Section 301 (annual election of directors);

26 Section 303 (removal of directors without cause);

27 Section 304 (removal of directors by court proceedings);

28 Section 305, subdivision (c) (filling of director vacancies where  
29 less than a majority in office elected by shareholders);

30 Section 309 (directors' standard of care);

31 Section 316 (excluding paragraph (3) of subdivision (a) and  
32 paragraph (3) of subdivision (f)) (liability of directors for unlawful  
33 distributions);

34 Section 317 (indemnification of directors, officers, and others);

35 Sections 500 to 505, inclusive (limitations on corporate  
36 distributions in cash or property);

37 Section 506 (liability of shareholder who receives unlawful  
38 distribution);

39 Section 600, subdivisions (b) and (c) (requirement for annual  
40 shareholders' meeting and remedy if same not timely held);



1 Section 708, subdivisions (a), (b), and (c) (shareholder's right  
2 to cumulate votes at any election of directors);  
3 Section 710 (supermajority vote requirement);  
4 Section 1001, subdivision (d) (limitations on sale of assets);  
5 Section 1101 (provisions following subdivision (e))  
6 (limitations on mergers);  
7 Section 1151 (first sentence only) (limitations on conversions);  
8 Section 1152 (requirements of conversions);  
9 Chapter 12 (commencing with Section 1200) (reorganizations);  
10 Chapter 13 (commencing with Section 1300) (dissenters'  
11 rights);  
12 Sections 1500 and 1501 (records and reports);  
13 Section 1508 (action by Attorney General);  
14 Chapter 16 (commencing with Section 1600) (rights of  
15 inspection).  
16 (c) This section does not apply to any corporation (1) with  
17 outstanding securities listed on the New York Stock Exchange or  
18 the American Stock Exchange, or (2) with outstanding securities  
19 designated as qualified for trading on the Nasdaq National Market  
20 (or any successor thereto) of the Nasdaq Stock Market operated by  
21 the Nasdaq Stock Market Inc., or (3) if all of its voting shares  
22 (other than directors' qualifying shares) are owned directly or  
23 indirectly by a corporation or corporations not subject to this  
24 section.  
25 (d) For purposes of subdivision (a), the requirements of  
26 subdivision (b) shall become applicable to a foreign corporation  
27 only upon the first day of the first income year of the corporation  
28 (1) commencing on or after the 135th day of the income year  
29 immediately following the latest income year with respect to  
30 which the tests referred to in subdivision (a) have been met or (2)  
31 commencing on or after the entry of a final order by a court of  
32 competent jurisdiction declaring that those tests have been met.  
33 (e) For purposes of subdivision (a), the requirements of  
34 subdivision (b) shall cease to be applicable to a foreign corporation  
35 (1) at the end of the first income year of the corporation  
36 immediately following the latest income year with respect to  
37 which at least one of the tests referred to in subdivision (a) is not  
38 met or (2) at the end of the income year of the corporation during  
39 which a final order has been entered by a court of competent  
40 jurisdiction declaring that one of those tests is not met, provided



1 that a contrary order has not been entered before the end of the  
2 income year.

3 (f) Any foreign corporation that is subject to the requirements  
4 of subdivision (b) shall advise any shareholder of record, any  
5 officer, director, employee, or other agent (within the meaning of  
6 Section 317) and any creditor of the corporation in writing, within  
7 30 days of receipt of written request for that information, whether  
8 or not it is subject to subdivision (b) at the time the request is  
9 received. Any party who obtains a final determination by a court  
10 of competent jurisdiction that the corporation failed to provide to  
11 the party information required to be provided by this subdivision  
12 or provided the party information of the kind required to be  
13 provided by this subdivision that was incorrect, then the court, in  
14 its discretion, shall have the power to include in its judgment  
15 recovery by the party from the corporation of all court costs and  
16 reasonable attorneys' fees incurred in that legal proceeding to the  
17 extent they relate to obtaining that final determination.

18 SEC. 9. Section 15677.2 of the Corporations Code is  
19 amended to read:

20 15677.2. (a) A limited partnership may be converted into an  
21 other business entity or a foreign other business entity or a foreign  
22 limited partnership pursuant to this article if, (1) pursuant to a  
23 conversion into a domestic or foreign partnership or limited  
24 liability company or into a foreign limited partnership, each of the  
25 partners of the converting limited partnership receives a  
26 percentage interest in the profits and capital of the converted entity  
27 equal to that partner's percentage interest in profits and capital of  
28 the converting limited partnership as of the effective time of the  
29 conversion, and (2) pursuant to a conversion into an other business  
30 entity or foreign other business entity not specified in clause (1)  
31 above, both of the following occur: (A) each limited partnership  
32 interest of the same class is treated equally with respect to any  
33 distribution of cash, property, rights, interests, or securities of the  
34 converted entity, unless all limited partners of the class consent,  
35 and (B) the nonredeemable limited partnership interests of the  
36 converting limited partnership are converted only into  
37 nonredeemable interests or securities of the converted entity,  
38 unless all holders of the nonredeemable interests consent.

39 (b) The conversion of a limited partnership to an other business  
40 entity or a foreign other business entity or a foreign limited

1 partnership may be effected only if both of the following  
2 conditions are satisfied:

3 (1) The law under which the converted entity will exist  
4 expressly permits the formation of that entity pursuant to a  
5 conversion.

6 (2) The limited partnership complies with all other  
7 requirements of any other law that applies to conversion to the  
8 converted entity.

9 SEC. 10. Section 15677.3 of the Corporations Code is  
10 amended to read:

11 15677.3. (a) A limited partnership that desires to convert to  
12 an other business entity or a foreign other business entity or a  
13 foreign limited partnership shall approve a plan of conversion. The  
14 plan of conversion shall state all of the following:

15 (1) The terms and conditions of the conversion.

16 (2) The place of the organization of the converted entity and of  
17 the converting limited partnership and the name of the converted  
18 entity after conversion.

19 (3) The manner of converting the limited and general  
20 partnership interests of each of the partners into shares of,  
21 securities of, or interests in, the converted entity.

22 (4) The provisions of the governing documents for the  
23 converted entity, including the partnership agreement, limited  
24 liability company articles of organization and operating  
25 agreement, or articles or certificate of incorporation if the  
26 converted entity is a corporation, to which the holders of interests  
27 in the converted entity are to be bound.

28 (5) Any other details or provisions that are required by the laws  
29 under which the converted entity is organized, or that are desired  
30 by the parties.

31 (b) The plan of conversion shall be approved by all general  
32 partners of the converting limited partnership and by a majority in  
33 interest of each class of limited partners of the converting limited  
34 partnership, unless a greater or lesser approval is required by the  
35 partnership agreement of the converting limited partnership.  
36 However, if the limited partners of the limited partnership would  
37 become personally liable for any obligations of the converted  
38 entity as a result of the conversion, the plan of conversion shall be  
39 approved by all of the limited partners of the converting limited  
40 partnership, unless the plan of conversion provides that all limited

1 partners will have dissenters' rights as provided in Article 7.6  
2 (commencing with Section 15679.1).

3 (c) Upon the effectiveness of the conversion, all partners of the  
4 converting limited partnership, except those that exercise  
5 dissenters' rights as provided in Article 7.6 (commencing with  
6 Section 15679.1), shall be deemed parties to any governing  
7 documents for the converted entity adopted as part of the plan of  
8 conversion, irrespective of whether or not the partner has executed  
9 the plan of conversion or the governing documents for the  
10 converted entity. Any adoption of governing documents made  
11 pursuant thereto shall be effective at the effective time or date of  
12 the conversion.

13 (d) Notwithstanding its prior approval, a plan of conversion  
14 may be amended before the conversion takes effect if the  
15 amendment is approved by all general partners of the converting  
16 limited partnership and, if the amendment changes any of the  
17 principal terms of the plan of conversion, the amendment is  
18 approved by the limited partners of the converting limited  
19 partnership in the same manner and to the same extent as required  
20 for the approval of the original plan of conversion.

21 (e) The general partners of a converting limited partnership  
22 may, by unanimous approval at any time before the conversion is  
23 effective, in their discretion, abandon a conversion, without  
24 further approval by the limited partners, subject to the contractual  
25 rights of third parties other than limited partners.

26 (f) The converted entity shall keep the plan of conversion at the  
27 principal place of business of the converted entity if the converted  
28 entity is a domestic partnership or foreign other business entity, at  
29 the principal executive office of, or registrar or transfer agent of,  
30 the converted entity, if the converted entity is a domestic  
31 corporation, or at the office at which records are to be kept under  
32 Section 17057 if the converted entity is a domestic limited liability  
33 company. Upon the request of a partner of a converting limited  
34 partnership, the authorized person on behalf of the converted  
35 entity shall promptly deliver to the partner or the holder of shares,  
36 interests, or other securities, at the expense of the converted entity,  
37 a copy of the plan of conversion. A waiver by a partner of the rights  
38 provided in this subdivision shall be unenforceable.

39 SEC. 11. Section 15677.6 of the Corporations Code is  
40 amended to read:





1 15677.6. (a) Upon conversion of a limited partnership one of  
2 the following applies:

3 (1) If the limited partnership is converting into a domestic  
4 limited liability company, a statement of conversion shall be  
5 completed on the articles of organization for the converted entity.

6 (2) If the limited partnership is converting into a domestic  
7 partnership, a statement of conversion shall be completed on the  
8 statement of partnership authority for the converted entity, or if no  
9 statement of partnership authority is filed, then a certificate of  
10 conversion shall be filed separately.

11 (3) If the limited partnership is converting into a domestic  
12 corporation, a statement of conversion shall be completed on the  
13 articles of incorporation for the converted entity.

14 (4) If the limited partnership is converting to a foreign limited  
15 partnership or foreign other business entity, a certificate of  
16 conversion shall be filed with the Secretary of State.

17 (b) Any certificate or statement of conversion shall be executed  
18 and acknowledged by all general partners, unless a lesser number  
19 is provided in the certificate of limited partnership, and shall set  
20 forth all of the following:

21 (1) The name and the Secretary of State's file number of the  
22 converting limited partnership.

23 (2) A statement that the principal terms of the plan of  
24 conversion were approved by a vote of the partners, which equaled  
25 or exceeded the vote required under Section 15677.3, specifying  
26 each class entitled to vote and the percentage vote required of each  
27 class.

28 (3) The form of organization of the converted entity.

29 (4) The mailing address of the converted entity's agent for  
30 service of process and the chief executive office of the converted  
31 entity.

32 (c) The filing with the Secretary of State of a certificate of  
33 conversion or a statement of partnership authority, articles of  
34 organization, or articles or certificate of incorporation containing  
35 a statement of conversion as set forth in subdivision (a) shall have  
36 the effect of the filing of a certificate of cancellation by the  
37 converting limited partnership and no converting limited  
38 partnership that has made the filing is required to file a certificate  
39 of dissolution or a certificate of cancellation under Section 15623  
40 as a result of that conversion.

1 SEC. 12. Section 15677.7 of the Corporations Code is  
2 amended to read:

3 15677.7. (a) Whenever a limited partnership or other  
4 business entity having any real property in this state converts into  
5 a limited partnership or an other business entity pursuant to the  
6 laws of this state or of the state or place in which the limited  
7 partnership or other business entity was organized, and the laws of  
8 the state or place of organization, including this state, of the  
9 converting limited partnership or other converting entity provide  
10 substantially that the conversion vests in the converted limited  
11 partnership or other converted entity all the real property of the  
12 converting limited partnership or other converting entity, the filing  
13 for record in the office of the county recorder of any county in this  
14 state in which any of the real property of the converting limited  
15 partnership or other converting entity is located of either (1) a  
16 certificate of conversion or statement of partnership authority, a  
17 certificate of limited partnership, articles of incorporation, or  
18 articles of organization complying with Section 15677.6, in the  
19 form prescribed and certified by the Secretary of State, or (2) a  
20 copy of a certificate of conversion or a statement of partnership  
21 authority, certificate of limited partnership, articles of  
22 organization, articles or certificate of incorporation, or other  
23 certificate or document evidencing the creation of a foreign other  
24 business entity or foreign limited partnership by conversion,  
25 containing a statement of conversion, certified by the Secretary of  
26 State or an authorized public official of the state or place pursuant  
27 to the laws of which the conversion is effected, shall evidence  
28 record ownership in the converted limited partnership or other  
29 converted entity of all interest of the converting limited  
30 partnership or other converting entity in and to the real property  
31 located in that county.

32 (b) A filed and, if appropriate, recorded certificate of  
33 conversion or a statement of partnership authority, certificate of  
34 limited partnership, articles of organization, articles or certificate  
35 of incorporation, or other certificate evidencing the creation of a  
36 foreign other business entity or foreign limited partnership by  
37 conversion, containing a statement of conversion, filed pursuant  
38 to subdivision (a) of Section 15677.6, stating the name of the  
39 converting limited partnership or other converting entity in whose  
40 name property was held before the conversion and the name of the



1 converted entity or converted limited partnership, but not  
2 containing all of the other information required by Section  
3 15677.6, operates with respect to the entities named to the extent  
4 provided in subdivision (a).

5 (c) Recording of a certificate of conversion, or a statement of  
6 partnership authority, certificate of limited partnership, articles of  
7 organization, articles or certificate of incorporation, or other  
8 certificate evidencing the creation of an other business entity or a  
9 limited partnership by conversion, containing a statement of  
10 conversion, in accordance with subdivision (a), shall create, in  
11 favor of bona fide purchasers or encumbrances for value, a  
12 conclusive presumption that the conversion was validly  
13 completed.

14 SEC. 13. Section 15677.8 of the Corporations Code is  
15 amended to read:

16 15677.8. (a) An other business entity or a foreign other  
17 business entity or a foreign limited partnership may be converted  
18 to a domestic limited partnership pursuant to this article only if the  
19 converting entity is authorized by the laws under which it is  
20 organized to effect the conversion.

21 (b) An other business entity or a foreign other business entity  
22 or a foreign limited partnership that desires to convert into a  
23 domestic limited partnership shall approve a plan of conversion or  
24 an other instrument as is required to be approved to effect the  
25 conversion pursuant to the laws under which that entity is  
26 organized.

27 (c) The conversion of an other business entity or a foreign other  
28 business entity or a foreign limited partnership into a domestic  
29 limited partnership shall be approved by the number or percentage  
30 of the partners, members, shareholders, or holders of interest of the  
31 converting entity as is required by the laws under which that entity  
32 is organized, or a greater or lesser percentage, subject to applicable  
33 laws, as set forth in the converting entity's partnership agreement,  
34 articles of organization, operating agreement, articles or  
35 certificate of incorporation, or other governing document.

36 (d) The conversion by an other business entity or a foreign  
37 other business entity or a foreign limited partnership into a  
38 domestic limited partnership shall be effective under this article at  
39 the time the conversion is effective under the laws under which the  
40 converting entity is organized as long as a certificate of limited

1 partnership containing a statement of conversion has been filed  
2 with the Secretary of State. If the converting entity's governing  
3 law is silent as to the effectiveness of the conversion, the  
4 conversion shall be effective upon the completion of all acts  
5 required under this title to form a limited partnership.

6 (e) The filing with the Secretary of State of a certificate of  
7 conversion or a certificate of limited partnership containing a  
8 statement of conversion pursuant to subdivision (a) shall have the  
9 effect of the filing of a certificate of cancellation by the converting  
10 foreign limited partnership or foreign limited liability company  
11 and no converting foreign limited partnership or foreign limited  
12 liability company that has made the filing is required to file a  
13 certificate of cancellation under Section 15696 or 17455 as a result  
14 of that conversion. If a converting other business entity is a foreign  
15 corporation qualified to transact business in this state, the foreign  
16 corporation shall, by virtue of the filing, automatically surrender  
17 its right to transact intrastate business.

18 SEC. 14. Section 15677.9 of the Corporations Code is  
19 amended to read:

20 15677.9. (a) An entity that converts into another entity  
21 pursuant to this article is for all purposes the same entity that  
22 existed before the conversion.

23 (b) Upon a conversion taking effect, all of the following apply:

24 (1) All the rights and property, whether real, personal, or  
25 mixed, of the converting entity or converting limited partnership  
26 are vested in the converted entity or converted limited partnership.

27 (2) All debts, liabilities, and obligations of the converting  
28 entity or converting limited partnership continue as debts,  
29 liabilities, and obligations of the converted entity or converted  
30 limited partnership.

31 (3) All rights of creditors and liens upon the property of the  
32 converting entity or converting limited partnership shall be  
33 preserved unimpaired and remain enforceable against the  
34 converted entity or converted limited partnership to the same  
35 extent as against the converting entity or converting limited  
36 partnership as if the conversion had not occurred.

37 (4) Any action or proceeding pending by or against the  
38 converting entity or converting limited partnership may be  
39 continued against the converted entity or converted limited  
40 partnership as if the conversion had not occurred.



1 (c) A partner of a converting limited partnership is liable for:

2 (1) All obligations of the converting limited partnership for  
3 which the partner was personally liable before the conversion.

4 (2) All obligations of the converted entity incurred after the  
5 conversion takes effect, but those obligations may be satisfied only  
6 out of property of the entity if that partner is a limited partner, or  
7 a shareholder in a corporation, or unless expressly provided  
8 otherwise in the articles of organization or other governing  
9 documents, a member of a limited liability company, or a holder  
10 of equity securities in an other converted entity if the holders of  
11 equity securities in that entity are not personally liable for the  
12 obligations of that entity under the law under which the entity is  
13 organized or its governing documents.

14 (d) A partner of a converted limited partnership remains liable  
15 for any and all obligations of the converting entity for which the  
16 partner was personally liable before the conversion, but only to the  
17 extent that the partner was liable for the obligations of the  
18 converting entity prior to the conversion.

19 (e) If the other party to a transaction with the limited  
20 partnership reasonably believes when entering the transaction that  
21 the limited partner is a general partner, the limited partner is liable  
22 for an obligation incurred by the limited partnership within 90  
23 days after the conversion takes effect. The limited partner's  
24 liability for all other obligations of the limited partnership incurred  
25 after the conversion takes effect is that of a limited partner.

26 SEC. 15. Section 16902 of the Corporations Code is amended  
27 to read:

28 16902. (a) A partnership, other than a registered limited  
29 liability partnership, may be converted into a domestic other  
30 business entity or a foreign other business entity pursuant to this  
31 article if, (1) pursuant to a conversion into a domestic or foreign  
32 limited partnership or limited liability company, each of the  
33 partners of the converting partnership would receive a percentage  
34 interest in the profits and capital of the converted other business  
35 entity equal to the partner's percentage interest in profits and  
36 capital of the converting partnership as of the effective time of the  
37 conversion, and (2) pursuant to a conversion into an other business  
38 entity or foreign other business entity not specified in clause (1)  
39 above, each of the partnership interests of the same class is treated  
40 equally with respect to any distribution of cash, property, rights,

1 interests, or securities of the converted other business entity unless  
2 all partners of the same class consent.

3 (b) Notwithstanding this section, the conversion of a  
4 partnership to a domestic or foreign other business entity may be  
5 effected only if: (1) the law under which that domestic or foreign  
6 other business entity will exist expressly permits the formation of  
7 that other entity pursuant to a conversion; and (2) the partnership  
8 complies with any and all other requirements of that other law that  
9 applies to conversion of the other business entity.

10 SEC. 16. Section 16903 of the Corporations Code is amended  
11 to read:

12 16903. (a) A partnership that desires to convert to a domestic  
13 or foreign other business entity shall approve a plan of conversion.  
14 The plan of conversion shall state the following:

15 (1) The terms and conditions of the conversion.

16 (2) The place of the organization of the converted entity and of  
17 the converting partnership and the name of the converted entity  
18 after conversion, if different from that of the converting  
19 partnership.

20 (3) The manner of converting the partnership interests of each  
21 of the partners into shares of, securities of, or interests in the  
22 converted entity.

23 (4) The provisions of the governing documents for the  
24 converted entity, including the limited partnership agreement,  
25 limited liability company articles of organization and operating  
26 agreement, or articles or certificate of incorporation if the  
27 converted entity is a corporation, to which the holders of interest  
28 in the converted entity are to be bound.

29 (5) Any other details or provisions as are required by laws  
30 under which the converted entity is organized.

31 (6) Any other details or provisions that are desired.

32 (b) The plan of conversion shall be approved by that number or  
33 percentage of partners required by the partnership agreement to  
34 approve a conversion of the partnership as set forth in the  
35 partnership agreement. If the partnership agreement fails to  
36 specify the required partner approval for a conversion of the  
37 partnership, the plan of conversion shall be approved by that  
38 number or percentage of partners required by the partnership  
39 agreement to approve an amendment to the partnership agreement  
40 unless the conversion effects a change for which the partnership

1 agreement requires a greater number or percentage of partners  
2 than that required to amend the partnership agreement, in which  
3 case the plan of conversion shall be approved by that greater  
4 number or percentage. If the partnership agreement fails to specify  
5 the vote required to amend the partnership agreement, the plan of  
6 conversion shall be approved by all partners.

7 (c) If the partnership is converting into a limited partnership, in  
8 addition to the approval of the partners as set forth in subdivision  
9 (b), the plan of conversion shall be approved by all partners who  
10 will become general partners of the converted limited partnership  
11 pursuant to the plan of conversion.

12 (d) All partners of the converting partnership except those that  
13 dissociate upon effectiveness of the conversion pursuant to  
14 subdivision (e) of Section 16909 shall be deemed parties to any  
15 partnership or operating agreement, articles or certificate of  
16 incorporation, or organic document for the converted entity  
17 adopted as part of the plan of conversion, regardless of whether  
18 that partner has executed the plan of conversion or the operating  
19 agreement, articles or certificate of incorporation, partnership  
20 agreement, or other organic document for the converted entity.  
21 Any adoption of a new partnership or operating agreement, articles  
22 or certificate of incorporation, or other organic document made  
23 pursuant to the foregoing sentence shall be effective at the  
24 effective time or date of the conversion.

25 (e) Notwithstanding its prior approval, a plan of conversion  
26 may be amended before the conversion takes effect if the  
27 amendment is approved by the partnership in the same manner,  
28 and by the same number or percentage of partners, as was required  
29 for approval of the original plan of conversion.

30 (f) The partners of a converting partnership may, at any time  
31 before the conversion is effective, in their discretion, abandon a  
32 conversion, without further approval by the partners, in the same  
33 manner, and by the same number or percentage of partners, as was  
34 required for approval of the original plan of conversion at any time  
35 before the conversion is effective, subject to the contractual rights  
36 of third parties.

37 (g) The converted entity shall keep the plan of conversion at:  
38 (1) the principal place of business of the converted entity, if the  
39 converted entity is a foreign other business entity or a corporation;  
40 or (2) the office at which records are to be kept under Section



1 15614 if the converted entity is a domestic limited partnership, or  
2 at the office at which records are to be kept under Section 17057  
3 if the converted entity is a domestic limited liability company.  
4 Upon the request of a partner of a converting partnership, the  
5 authorized person on behalf of the converted entity shall promptly  
6 deliver to the partner or the holder of interests or other securities,  
7 at the expense of the converted entity, a copy of the plan of  
8 conversion. A waiver by a partner of the rights provided in this  
9 subdivision shall be unenforceable.

10 SEC. 17. Section 16904 of the Corporations Code is amended  
11 to read:

12 16904. (a) A conversion into a domestic other business entity  
13 shall become effective upon the earliest date that all of the  
14 following shall have occurred:

15 (1) The approval of the plan of conversion by the partners of the  
16 converting partnership as provided in Section 16903.

17 (2) The filing of all documents required by law to create the  
18 converted other business entity, which documents shall also  
19 contain a statement of conversion, if required under Section  
20 16906.

21 (3) The effective date, if set forth in the plan of conversion,  
22 shall have occurred.

23 (b) A copy of the certificate of limited partnership, articles of  
24 organization, or articles of incorporation, complying with Section  
25 16906, if applicable, duly certified by the Secretary of State, is  
26 conclusive evidence of the conversion of the partnership.

27 SEC. 18. Section 16905 of the Corporations Code is amended  
28 to read:

29 16905. (a) The conversion of a partnership into a foreign  
30 other business entity shall comply with Section 16902.

31 (b) If the partnership is converting into a foreign other business  
32 entity, then the conversion proceedings shall be in accordance with  
33 the laws of the state or place of organization of the foreign other  
34 business entity and the conversion shall become effective in  
35 accordance with that law.

36 (c) (1) Unless a statement of conversion has been filed to effect  
37 the conversion, the converted foreign other business entity shall  
38 promptly notify the Secretary of State of the mailing address of its  
39 agent for service of process, its chief executive office, and of any  
40 change of address. To enforce an obligation of a partnership that



has converted to a foreign other business entity, the Secretary of State shall only be the agent for service of process in an action or proceeding against the converted foreign other business entity, if the agent designated for the service of process for that entity is a natural person and cannot be found with due diligence or if the agent is a corporation and no person, to whom delivery may be made, may be located with due diligence, or if no agent has been designated and if no one of the officers, partners, managers, members, or agents of that entity may be located after diligent search, and it is so shown by affidavit to the satisfaction of the court. The court then may make an order that service be made by personal delivery to the Secretary of State or to an assistant or deputy Secretary of State of two copies of the process together with two copies of the order, and the order shall set forth an address to which the process shall be sent by the Secretary of State. Service in this manner is deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the process and order and the fee set forth in Section 12197 of the Government Code, the Secretary of State shall provide notice to the entity of the service of the process by forwarding by certified mail, return receipt requested, a copy of the process and order to the address specified in the order.

(3) The Secretary of State shall keep a record of all process served upon the Secretary of State and shall record therein the time of service and the Secretary of State's action with respect thereto. The certificate of the Secretary of State, under the Secretary of State's official seal, certifying to the receipt of process, the providing of notice thereof to the entity, and the forwarding of the process, shall be competent and prima facie evidence of the matters stated therein.

SEC. 19. Section 16906 of the Corporations Code is amended to read:

16906. (a) If the converting partnership has filed a statement of partnership authority under Section 16303 that is effective at the time of the conversion, then upon conversion to a domestic limited partnership, limited liability company, or corporation, the certificate of limited partnership, articles of organization, or articles of incorporation filed by the converted entity, as applicable, shall contain a statement of conversion, in that form as may be prescribed by the Secretary of State. If the converting

1 partnership has not filed a statement of partnership authority under  
2 Section 16303 that is effective at the time of the conversion, upon  
3 conversion to a domestic limited partnership, limited liability  
4 company, or corporation, the converted entity may, but is not  
5 required to file, on its certificate of limited partnership, articles of  
6 organization, or articles of incorporation, a statement of  
7 conversion. A statement of conversion shall set forth all of the  
8 following:

9 (1) The name and the Secretary of State's file number, if any,  
10 of the converting partnership.

11 (2) A statement that the principal terms of the plan of  
12 conversion were approved by a vote of the partners, which equaled  
13 or exceeded the vote required under Section 16903.

14 (b) A partnership converting to a foreign other business entity  
15 that has filed a statement of partnership authority under Section  
16 16303 that is effective at the time of conversion may file a  
17 certificate of conversion with the Secretary of State. The  
18 certificate of conversion shall contain the following:

19 (1) The names of the converting partnership and the converted  
20 entity.

21 (2) The street address of the converted entity's chief executive  
22 office and of an office in this state, if any.

23 (3) The form of organization of the converted entity.

24 (c) The filing with the Secretary of State of a certificate of  
25 limited partnership, articles of organization, or articles of  
26 incorporation containing a statement of conversion as set forth in  
27 subdivision (a) or a certificate of conversion filed pursuant to  
28 subdivision (b) shall have the effect of the filing of a cancellation  
29 by the converting partnership of any statement of partnership  
30 authority filed by it.

31 SEC. 20. Section 16907 of the Corporations Code is amended  
32 to read:

33 16907. (a) Whenever a partnership or other business entity  
34 having any real property in this state converts into a partnership or  
35 an other business entity pursuant to the laws of this state or of the  
36 state or place in which the other business entity was organized, and  
37 the laws of the state or place of organization (including this state)  
38 of the converting partnership or other business entity provide  
39 substantially that the conversion of a converting entity vests in the  
40 converted partnership or other business entity all the real property

1 of the converting partnership or converting other business entity,  
2 the filing for record in the office of the county recorder of any  
3 county in this state in which any of the real property of the  
4 converting partnership or converting other business entity is  
5 located of either (1) a certificate of conversion or a certificate of  
6 limited partnership, articles of organization, or articles of  
7 incorporation, complying with Section 16906, in the form  
8 prescribed by the Secretary of State, certified by the Secretary of  
9 State, or (2) a copy of a certificate of conversion or a certificate of  
10 limited partnership, articles of organization, articles or certificate  
11 of incorporation, or other certificate evidencing the creation of a  
12 foreign other business entity by conversion, containing a statement  
13 of conversion, certified by the Secretary of State or an authorized  
14 public official of the state or place pursuant to the laws of which  
15 the conversion is effected, shall evidence record ownership in the  
16 converted partnership or converted other business entity of all  
17 interest of the converting partnership or converting other business  
18 entity in and to the real property located in that county.

19 (b) A filed and, if appropriate, recorded certificate of  
20 conversion, certificate of limited partnership, articles of  
21 organization, articles or certificate of incorporation, or other  
22 certificate evidencing the creation of an other business entity by  
23 conversion, containing a statement of conversion, executed and  
24 declared to be accurate pursuant to subdivision (c) of Section  
25 16105, stating the name of the converting partnership or  
26 converting other business entity in whose name property was held  
27 before the conversion and the name of the converted entity, but not  
28 containing all of the other information required by Section 16906,  
29 operates with respect to the entities named to the extent provided  
30 in subdivision (a).

31 (c) Recording of a certificate of conversion, a certificate of  
32 limited partnership, articles of organization, articles or certificate  
33 of incorporation, or other certificate evidencing the creation of  
34 another business entity by conversion, containing a statement of  
35 conversion, in accordance with Section 16902 shall create, in  
36 favor of bona fide purchasers or encumbrancers for value, a  
37 conclusive presumption that the conversion was validly  
38 completed.

39 SEC. 21. Section 16908 of the Corporations Code is amended  
40 to read:

1 16908. (a) A domestic limited partnership, limited liability  
2 company, or corporation, or a foreign other business entity may be  
3 converted to a domestic partnership pursuant to this article, but  
4 only if the converting entity is authorized by the laws under which  
5 it is organized to effect the conversion.

6 (b) An entity that desires to convert into a domestic partnership  
7 shall approve a plan of conversion or the instrument that is  
8 required to be approved to effect the conversion pursuant to the  
9 laws under which the entity is organized.

10 (c) The conversion of a domestic limited partnership, limited  
11 liability company, or corporation, or foreign other business entity  
12 shall be approved by the number or percentage of the partners,  
13 members, shareholders, or holders of interest of the converting  
14 entity as is required by the law under which the entity is organized,  
15 or a greater or lesser percentage (subject to applicable laws) as set  
16 forth in the limited partnership agreement, articles of organization,  
17 operating agreement, or articles or certificate of organization, or  
18 other governing document for the converting entity.

19 (d) The conversion by a domestic limited partnership, limited  
20 liability company, or corporation, or a foreign other business entity  
21 into a partnership shall be effective under this article at the time  
22 that the conversion is effective under the laws under which the  
23 converting entity is organized.

24 (e) The filing with the Secretary of State of a certificate of  
25 conversion or a statement of partnership authority containing a  
26 statement of conversion pursuant to subdivision (a) shall have the  
27 effect of the filing of a certificate of cancellation by the converting  
28 foreign limited partnership or foreign limited liability company,  
29 and no converting foreign limited partnership or foreign limited  
30 liability company that has made the filing is required to file a  
31 certificate of cancellation under Section 15696 or 17455 as a result  
32 of that conversion. If a converting other business entity is a foreign  
33 corporation qualified to transact business in this state, the foreign  
34 corporation shall, by virtue of the filing, automatically surrender  
35 its right to transact intrastate business.

36 SEC. 22. Section 16909 of the Corporations Code is amended  
37 to read:

38 16909. (a) An entity that converts into another entity  
39 pursuant to this article is for all purposes the same entity that  
40 existed before the conversion.



(b) When a conversion takes effect, all of the following apply:

(1) All the rights and property, whether real, personal, or mixed, of the converting entity remains vested in the converted entity.

(2) All debts, liabilities, and obligations of the converting entity continue as debts, liabilities, and obligations of the converted entity.

(3) All rights of creditors and liens upon the property of the converting entity shall be preserved unimpaired and remain enforceable against the converted entity to the same extent as against the converting entity as if the conversion had not occurred.

(4) Any action or proceeding pending by or against the converting entity may be continued against the converted entity as if the conversion had not occurred.

(c) A partner of a converting partnership is liable for:

(1) All obligations of the converting partnership for which the partner was personally liable before the conversion.

(2) All obligations of the converted entity incurred after the conversion takes effect, but those obligations may be satisfied only out of property of the entity if (A) the converted other business entity is a limited partnership and the partner becomes a limited partner, (B) the converted other business entity is a limited liability company and the partner becomes a member, unless the articles of organization or the operating agreement of the limited liability company provide otherwise, or (C) the converted other business entity is a corporation and the partner becomes a shareholder.

(d) A partner of a partnership that converted from an other business entity is liable for any and all obligations of the converting other business entity for which the partner was personally liable before the conversion, but only to the extent the partner was liable for the obligation of the converting entity prior to the conversion.

(e) A partner of a converting partnership, who does not vote in favor of the conversion and does not agree to become a partner, member, shareholder, or holder of interest of the converted other business entity shall have the right to dissociate from the partnership, as of the date the conversion takes effect. Within 10 days after the approval of the conversion by the partners as required under this article, the converting partnership shall send notice of the approval of the conversion to each partner that has not

1 approved the conversion, accompanied by copies of Section 16701  
2 and a brief description of the procedure to be followed under that  
3 section if the partner wishes to dissociate from the partnership. A  
4 partner that desires to dissociate from the converting partnership  
5 shall send written notice of that dissociation within 30 days after  
6 the date of the notice of the approval of the conversion. The  
7 converting partnership shall cause the partner's interest in the  
8 entity to be purchased under Section 16701. The converting  
9 partnership is bound under Section 16702 by an act of a general  
10 partner dissociated under this subdivision, and the partner is liable  
11 under Section 16703 for transactions entered into by the converted  
12 entity after the conversion takes effect. The dissociation of a  
13 partner in connection with a conversion pursuant to the terms of  
14 this subdivision shall not be deemed to be a wrongful dissociation  
15 under Section 16602.

16 SEC. 23. Section 17540.2 of the Corporations Code is  
17 amended to read:

18 17540.2. (a) A limited liability company may be converted  
19 into an other business entity or a foreign other business entity or  
20 a foreign limited liability company pursuant to this chapter if, (1)  
21 pursuant to a conversion into a domestic or foreign general  
22 partnership or limited partnership or into a foreign limited liability  
23 company, each of the members of the converting limited liability  
24 company would receive a percentage interest in profits and capital  
25 of the converted entity equal to that member's percentage interest  
26 in profits and capital of the converting limited liability company  
27 as of the effective time of the conversion, and (2) pursuant to a  
28 conversion into an other business entity or foreign other business  
29 entity not specified in clause (1) above, both of the following  
30 occur: (A) each of the membership interests of the same class is  
31 treated equally with respect to any distribution of cash, property,  
32 rights, interests, or securities of the converted entity, unless all  
33 members of the class consent, and (B) the nonredeemable  
34 membership interests of the converting limited liability company  
35 are converted only into nonredeemable interests or securities of the  
36 converted entity, unless all holders of the nonredeemable interests  
37 consent.

38 (b) Notwithstanding this section, the conversion of a limited  
39 liability company to an other business entity or a foreign other  
40 business entity or a foreign limited liability company may be





1 effected only if both of the following conditions are complied  
2 with:

3 (1) The law under which the converted entity will exist  
4 expressly permits the formation of that entity pursuant to a  
5 conversion.

6 (2) The limited liability company complies with any and all  
7 other requirements of any other law that applies to conversion to  
8 the converted entity.

9 SEC. 24. Section 17540.3 of the Corporations Code is  
10 amended to read:

11 17540.3. (a) A limited liability company that desires to  
12 convert to an other business entity or a foreign other business  
13 entity or a foreign limited liability company shall approve a plan  
14 of conversion.

15 The plan of conversion shall state all of the following:

16 (1) The terms and conditions of the conversion.

17 (2) The place of the organization of the converted entity and of  
18 the converting limited liability company and the name of the  
19 converted entity after conversion.

20 (3) The manner of converting the membership interests of each  
21 of the members into securities of, shares of, or interests in, the  
22 converted entity.

23 (4) The provisions of the governing documents for the  
24 converted entity, including the articles or certificate of  
25 incorporation if the converted entity is a domestic or foreign  
26 corporation, the partnership agreement, or the limited liability  
27 company articles of organization and operating agreement, to  
28 which the holders of interests in the converted entity are to be  
29 bound.

30 (5) Any other details or provisions that are required by the laws  
31 under which the converted entity is organized, or that are desired  
32 by the parties.

33 (b) The plan of conversion shall be approved by a vote of a  
34 majority in interest of the members of the converting limited  
35 liability company, or a greater percentage of the voting interests of  
36 members as may be specified in the articles of organization or  
37 written operating agreement of the converting limited liability  
38 company. However, if the members of the limited liability  
39 company would become personally liable for any obligations of  
40 the converted entity as a result of the conversion, the plan of

1 conversion shall be approved by all of the members of the  
2 converting limited liability company, unless the plan of  
3 conversion provides that all members will have dissenters' rights  
4 as provided in Chapter 13 (commencing with Section 17600).

5 (c) If the limited liability company is converting into a limited  
6 partnership, then in addition to the approval of the members set  
7 forth in subdivision (b), the plan of conversion shall be approved  
8 by those members who will become general partners of the  
9 converted limited partnership pursuant to the plan of conversion.

10 (d) Upon the effectiveness of the conversion, all members of  
11 the converting limited liability company, except those that  
12 exercise dissenters' rights as provided in Chapter 13 (commencing  
13 with Section 17600) shall be deemed parties to any governing  
14 documents for the converted entity adopted as part of the plan of  
15 conversion, irrespective of whether or not a member has executed  
16 the plan of conversion or the governing documents for the  
17 converted entity. Any adoption of governing documents made  
18 pursuant thereto shall be effective at the effective time or date of  
19 the conversion.

20 (e) Notwithstanding its prior approval, a plan of conversion  
21 may be amended before the conversion takes effect if the  
22 amendment is approved by the members of the converting limited  
23 liability company in the same manner as was required for approval  
24 of the original plan of conversion.

25 (f) A plan of conversion may be abandoned by the members of  
26 a converting limited liability company in the manner as required  
27 for approval of the plan of conversion, subject to the contractual  
28 rights of third parties, at any time before the conversion is  
29 effective.

30 (g) The converted entity shall keep the plan of conversion at the  
31 principal place of business of the converted entity if the converted  
32 entity is a domestic partnership or foreign other business entity, at  
33 the principal executive office of or registrar or transfer agent of the  
34 converted entity if the converted entity is a domestic corporation,  
35 or at the office at which records are to be kept under Section 15614  
36 if the converted entity is a domestic limited partnership. Upon the  
37 request of a member of a converting limited liability company, the  
38 authorized person on behalf of the converted entity shall promptly  
39 deliver to the member or the holder of interests, shares, or other  
40 securities, at the expense of the converted entity, a copy of the plan

1 of conversion. A waiver by a member of the rights provided in this  
2 subdivision shall be unenforceable.

3 SEC. 25. Section 17540.6 of the Corporations Code is  
4 amended to read:

5 17540.6. (a) Upon conversion of a limited liability company:

6 (1) If the limited liability company is converting into a  
7 domestic limited partnership, a statement of conversion shall be  
8 completed on the certificate of limited partnership for the  
9 converted entity.

10 (2) If the limited liability company is converting into a  
11 domestic partnership, a statement of conversion shall be  
12 completed on the statement of partnership authority for the  
13 converted entity, or if no statement of partnership authority is filed  
14 then a certificate of conversion shall be filed separately.

15 (3) If the limited liability company is converting to a domestic  
16 corporation, a statement of conversion shall be completed on the  
17 articles of incorporation for the converted entity.

18 (4) If the limited liability company is converting into a foreign  
19 limited liability company or foreign other business entity, a  
20 certificate of conversion shall be filed with the Secretary of State.

21 (b) Any certificate or statement of conversion shall be executed  
22 and acknowledged by all of the managers, unless a lesser number  
23 is provided in the articles of organization or the operating  
24 agreement of the converting limited liability company, and shall  
25 set forth all of the following:

26 (1) The name and the Secretary of State's file number of the  
27 converting limited liability company.

28 (2) A statement that the principal terms of the plan of  
29 conversion were approved by a vote of the members, which  
30 equaled or exceeded the vote required under Section 17540.3,  
31 specifying each class entitled to vote and the percentage vote  
32 required of each class.

33 (3) The form of organization of the converted entity.

34 (c) The filing with the Secretary of State of a certificate of  
35 conversion or an organizational document containing a statement  
36 of conversion as set forth in subdivision (a) shall have the effect  
37 of the filing of a certificate of cancellation by the converting  
38 limited liability company and no converting limited liability  
39 company that has made the filing is required to file a certificate of

1 dissolution or a certificate of cancellation under Section 17356 as  
2 a result of that conversion.

3 SEC. 26. Section 17540.7 of the Corporations Code is  
4 amended to read:

5 17540.7. (a) Whenever a limited liability company or other  
6 business entity having any real property in this state converts into  
7 a limited liability company or an other business entity pursuant to  
8 the laws of this state or of the state or place in which the limited  
9 liability company or other business entity was organized, and the  
10 laws of the state or place of organization, including this state, of  
11 the converting limited liability company or other converting entity  
12 provide substantially that the conversion vests in the converted  
13 limited liability company or other converted entity all the real  
14 property of the converting limited liability company or other  
15 converting entity, the filing for record in the office of the county  
16 recorder of any county in this state in which any of the real property  
17 of the converting limited liability company or other converting  
18 entity is located of either (1) a certificate of conversion, statement  
19 of partnership authority, certificate of limited partnership, or  
20 articles of organization complying with Section 17540.6, in the  
21 form prescribed and certified by the Secretary of State, or (2) a  
22 copy of a certificate of conversion, or a statement of partnership  
23 authority, certificate of limited partnership, articles of  
24 organization, articles or certificate of incorporation, or other  
25 certificate or document evidencing the creation of a foreign other  
26 business entity or foreign limited liability company by conversion,  
27 containing a statement of conversion, certified by the Secretary of  
28 State or an authorized public official of the state or place pursuant  
29 to the laws of which the conversion is effected, shall evidence  
30 record ownership in the converted limited liability company or  
31 other converted entity of all interest of the converting limited  
32 liability company or other converting entity in and to the real  
33 property located in that county.

34 (b) A filed and, if appropriate, recorded certificate of  
35 conversion, or a statement of partnership authority, certificate of  
36 limited partnership, articles of organization, articles or certificate  
37 of incorporation, or other certificate evidencing the formation of  
38 a foreign other business entity or a foreign limited liability  
39 company filed pursuant to Section 17540.6 containing a statement  
40 of conversion, stating the name of the converting limited liability



1 company or other converting entity in whose name property was  
2 held before the conversion and the name of the converted entity or  
3 converted limited liability company, but not containing all of the  
4 other information required by Section 17540.6, operates with  
5 respect to the converted entities named to the extent provided in  
6 subdivision (a).

7 (c) Recording of a certificate of conversion or a statement of  
8 partnership authority, certificate of limited partnership, articles of  
9 organization, or articles or certificate of incorporation, or other  
10 certificate evidencing the creation of an other business entity or a  
11 limited liability company by conversion, containing a statement of  
12 conversion, in accordance with subdivision (a), shall create, in  
13 favor of bona fide purchasers or encumbrances for value, a  
14 conclusive presumption that the conversion was validly  
15 completed.

16 SEC. 27. Section 17540.8 of the Corporations Code is  
17 amended to read:

18 17540.8. (a) An other business entity or a foreign other  
19 business entity or a foreign limited liability company may be  
20 converted to a domestic limited liability company pursuant to this  
21 chapter only if the converting entity is authorized by the laws  
22 under which it is organized to effect the conversion.

23 (b) An other business entity or a foreign other business entity  
24 or a foreign limited liability company that desires to convert into  
25 a domestic limited liability company shall approve a plan of  
26 conversion or an other instrument as is required to be approved to  
27 effect the conversion pursuant to the laws under which that entity  
28 is organized.

29 (c) The conversion of an other business entity or a foreign other  
30 business entity or a foreign limited liability company into a  
31 domestic limited liability company shall be approved by that  
32 number or percentage of the partners, members, shareholders, or  
33 holders of interest of the converting entity as is required by the  
34 laws under which that entity is organized, or a greater or lesser  
35 percentage, subject to applicable laws, as set forth in the  
36 converting entity's partnership agreement, articles of  
37 organization, operating agreement, articles or certificate of  
38 incorporation, or other governing document.

39 (d) The conversion by an other business entity or a foreign  
40 other business entity or a foreign limited liability company into a



1 domestic limited liability company shall be effective under this  
2 chapter at the time the conversion is effective under the laws under  
3 which the converting entity is organized as long as the articles of  
4 organization containing a statement of conversion have been filed  
5 with the Secretary of State. If the converting entity's governing  
6 law is silent as to the effectiveness of the conversion, the  
7 conversion shall be effective upon the completion of all acts  
8 required under this title to form a limited liability company.

9 (e) The filing with the Secretary of State of a certificate of  
10 conversion or articles of organization containing a statement of  
11 conversion pursuant to subdivision (a) shall have the effect of the  
12 filing of a certificate of cancellation by the converting foreign  
13 limited liability company or foreign limited partnership, and no  
14 converting foreign limited liability company or foreign limited  
15 partnership that has made the filing is required to file a certificate  
16 of cancellation under Section 15696 or 17455 as a result of that  
17 conversion. If a converting other business entity is a foreign  
18 corporation qualified to transact business in this state, the foreign  
19 corporation shall, by virtue of the filing, automatically surrender  
20 its right to transact intrastate business.

21 SEC. 28. Section 25005.1 of the Corporations Code is  
22 amended to read:

23 25005.1. "Entity conversion transaction" means a  
24 conversion pursuant to Section 1151, 1157, 15677.2, 15677.8,  
25 16902, 16908, 17540.2, or 17540.8 unless the interests in the entity  
26 resulting from the conversion to be held by the equity holders of  
27 the entity being converted as a result of the conversion are not  
28 securities. For purposes of Sections 25103 and 25120 an entity  
29 conversion transaction is not a change in the rights, preferences,  
30 privileges, or restrictions of or on outstanding securities or an  
31 exchange of securities by the issuer with its existing security  
32 holders exclusively.

